



**LifeSecure Insurance Company**

**House Insurance Committee Testimony – House Bill 4836**

*Sept. 10, 2015*

Mr. Chairman and distinguished members of the House Insurance Committee, my name is Brian Vestergaard, and I'm Vice President of Product and Marketing for LifeSecure Insurance Company.

I want to thank you for the opportunity to comment on this important issue and voice our support for enacting the Long-Term Care Partnership Program in Michigan. LifeSecure Insurance is headquartered in Brighton, Michigan, and our primary product, long-term care insurance (LTCI), is available in 45 states and the District of Columbia. Although LifeSecure is a relatively young LTCI carrier, we have nearly 3,300 active Partnership policies in force to-date.

The Long-Term Care Partnership Program is an opportunity for Michiganders to take greater personal responsibility for their own long-term care planning and funding. It's also an example of the kind of public and private collaboration that can improve the quality and affordability of long-term care, as well as provide relief to state and federal Medicaid budgets that are being significantly impacted by providing long-term care services.

Nationally, 34% of long-term care expenditures for the elderly are paid for by Medicaid, 33% by Medicare and 20% out-of-pocket<sup>1</sup>. Meanwhile, private insurance accounts for just 3% of annual long-term care spending. This is a gap that private solutions like LTCI and the Partnership Program can bridge. Here in Michigan, nearly 20% of our total population is age 60 and older; and the fastest growing age group in Michigan, those age 75 and older, will double by 2040<sup>2</sup> and fuel an unprecedented need for long-term care services and supports.

Other states are using the Partnership Program to give their residents greater control over how they finance their long-term care and to help preserve the public safety net by reducing Medicaid spending. Yet Michigan is one of just six states that do not participate in the Partnership Program. If enacted, over time, we expect this program to reduce Michigan's Medicaid expenditures.

It's important to note that the greatest gains will be realized over the long-term due to the program's long-range objectives. According to the American Council of Life Insurers (ACLI), if one in four working age adults were to purchase and maintain a LTCI policy throughout their senior years, then by 2050 the savings in Medicaid nursing home expenses would total \$48 billion annually, and the savings in annual out-of-pocket expenses would total \$69 billion<sup>3</sup>.

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<sup>1</sup> ACLI. *Who Will Pay for Our Long-Term Care?* Washington, D.C. 2014.

<sup>2</sup> U.S. Census Bureau.

<sup>3</sup> Ibid.



But more immediate impacts of the Partnership Program have already been realized. Additional ACLI research found that the Partnership Program contributes greatly to raising public awareness of the importance of planning and preparing for future long-term care needs. The importance of planning ahead is often lost on families, whether it's due to a denial of need; misconceptions about LTC financing and who pays for care; or simply waiting too long to plan. Further raising awareness will empower more Michiganders to take charge of their own long-term care planning. While the Partnership Program has been found to produce a slight increase in the purchase of LTCI policies (3%), its greater significance is realized in reducing the number of elderly citizens on Medicaid by 18%<sup>4</sup>. If enacted, we would expect to see the Partnership Program produce similar benefits here in Michigan.

Again, thank you for the opportunity voice our support for enacting the Long Term Care Partnership Program in Michigan.

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<sup>4</sup> Nadia Greenhalgh-Stanley, The Center for Retirement Research at Boston College. *Can the Government Incentivize the Purchase of Private Long-Term Care Insurance? Evidence from the Long-Term Care Partnership Program*. Chestnut Hill, MA. 2012.